

Ameritas Group EBPR Chapter

The Shrinking Workforce Challenge: Solutions Focus on the Development of Employee Assets



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Chinese philosopher Confucius once said, “A man who does not think and plan long ahead will find trouble right at his door.”

Strategic planning has long been a hallmark of successful businesses. Society rewards those companies that accurately predict the future and are responsive to changes in their markets.

Typically, management teams in the C-suite have been responsible for charting new courses for businesses. However, today’s workforce challenges are providing opportunities for Human Resource professionals to lead the charge in developing innovative solutions and implementing programs that will enable their companies to successfully operate in these trying times.

The War for Talent

According to the U.S. Bureau of Labor Statistics, by 2010 businesses in the United States will experience a labor shortfall of 10 million workers as Baby Boomers merge into retirement.

Consider these statistics:

- The demand for talented 35- to 45-year-olds will increase by about 25%, but the supply will be at about 15%.
- The U.S. economy is projected to grow at a rate of 3% to 4% each year.

In 1997, McKinsey and Company of Atlanta, Ga., introduced a revolutionary study to the business world predicting a war for talent in the early 21st century. The authors predicted that businesses would need to be creative in searching and hiring practices to find quality employees, and work hard to keep them. At that time, many business leaders scoffed that there would be a fight to find good workers. They questioned the validity of concerns about a “shrinking workforce.” However, as George Will says, “time has a way of arriving unannounced,” and today the war for talent is a reality.

While many businesses recognized the potential for a workforce shortage and developed strategic plans to enable them to respond to the challenge with appropriate solutions, others ignored McKinsey and chose a “wait and see” approach. Today they are struggling to find a way out of the dilemma.

People Make the Difference

According to motivational public speaker Dale Carnegie, “Most of the important things in the world have been accomplished by people who kept on trying when there seemed to be no hope at all.”

Frequently you hear leading national companies tout their expertise in technology and data applications, but these systems alone will not set them apart. Rather, it is quality employees who ultimately make a company successful – the individuals in management and associate positions who excel in their performance and keep customers satisfied.

Finding the right employees is a challenge for businesses in any situation. In this chapter we'll consider the key role and expectations placed on Human Resources for talent management, skills forecasting, oversight of the management brain drain, and the successful recruitment and retention of quality employees.

The Talent Management Challenge

At many companies, HR professionals have been charged with the task of identifying and securing important human capital resources that are needed now and in the future.

Predicting human capital needs and managing talent is a difficult job. There are many times when HR professionals probably wish they had a magical crystal ball to help them predict workforce requirements as the company grows and the specific quality of workers needed to fulfill those requirements.

As magical crystal balls are in short supply, HR professionals must perform the due diligence to develop a strategic plan for managing employee resources for their organization, which includes skills forecasting, talent matching, coordination of employee retention and rewards, and development of mentoring programs for older and younger employees.

Skills Forecasting: A Key to Success

Skills forecasting has become a crucial component of HR planning for many companies. This includes developing a strategic human capital plan articulating the immediate and future needs for employees – five to 10 years out – and having people available for the positions at the right time.

As HR executives develop a strategic talent management plan, they should consider these questions:

- What are the workforce goals?
- What are the company's growth strategies?
- What types of skills and attributes are needed to fill positions to enable the company to carry out its mission?
- What is the best source for finding employee talent that matches the company's needs and expectations?

Ultimately, finding quality employees who possess traits and abilities that match the company's mission and strategic goals is critical to its ongoing success.

Powerful Retention Tool

Accurate skills forecasting can also serve as a powerful retention tool. Once HR has identified the kinds of jobs and position responsibilities needed now and in the future, this information can be shared internally with employees who might be interested in growth opportunities.

HR also shoulders the load of communicating to managers the importance of considering internal

candidates for positions, otherwise excellent people within the organization who do not see opportunities for lateral or upward movement may leave the company.

Talent Matching

Most companies have had the uncomfortable experience of hiring employees based on their pedigrees – graduates of prestigious colleges with impressive professional credentials and work responsibilities – only to find out a few months after hiring them that they are the wrong fit for the organization.

While job applicants' pedigrees caught the attention of employers in the past, companies today are recognizing that it is more important to recruit and retain individuals who are the right fit for their culture, mission and needs. When reviewing job applicants, many companies now are assessing whether the individuals possess excellent interpersonal communication skills, which are critical for team-based work, and the personal characteristics and goals that are a good match for the company. Many times these characteristics are undervalued or overlooked by competitors.

Lessons from Google.

Not long ago, the online search company Google realized that the traditional attributes it had considered important in job candidates – graduation from prestigious colleges or universities and high grade-point averages – were not accurate predictors of individuals who would be successful in their organization. Instead, Google recognized those applicants with collegiate and organizational leadership experiences, or those who held a regional or world record in something, were a better match for the company.

Meeting the Retention Challenge

One of the greatest challenges businesses have always faced is the short- and long-term retention of employees, especially for those in key positions. Employee retention is critical to the health and success of every business. The shrinking American workforce will compound this problem for businesses in many industries that have often struggled to find the right people to fill key positions.

Employee Turnover Costs.

From a financial perspective, employee turnover is expensive for businesses. Turnover costs, including the loss of dollars and productivity, are approximately 48 to 61 percent of the annual salary budget. For example, a 15 percent turnover rate for employees averaging \$50,000 in salary could cost \$4 to \$5 million annually.

Retaining employees requires intentional efforts to actively engage employees in the business. The first steps involve hiring the right mix of people with skills and character qualities that match the company culture and philosophy. This “courtship” process is the easiest part of relationship development between employers and employees. The following years require daily efforts to reinforce the relationship.

The Overlooked Segment.

The majority of organizations focus their retention efforts on new employees and the top 10 to 15 percent of the workforce who often are considered the stars of the business. Meanwhile, another 60 to 75 percent of employees are regularly overlooked – individuals the company depends on to work in the trenches and carry out daily operations.

As the size of the workforce shrinks, companies must focus on engaging and energizing employees at all levels of the company by continually listening to their ideas, organizing learning and development opportunities, and providing growth experiences.

Retention Success Requires Training and Leadership Development

Businesses that have experienced success with retention programs claim that investment in leadership development and training programs is imperative for employees at all levels.

When new employees join an organization, most are excited about the new adventures they will experience. A few less-than-positive experiences will encourage them to start looking around for other employers – possibly competitor organizations – who may more fully appreciate their contributions.

Retention is not just HR's job, but also the responsibility of team leaders throughout the company. Management team members may need coaching, mentoring and employee development training to encourage them to actively engage employees in the company and communicate their value to the business. Most importantly managers must be empowered to express appreciation to their direct employees.

In national surveys, employees frequently identify the importance of development programs as an indication of the employer's value of their work. The need for continuous employee training and development is obvious. As the war for talent strengthens, companies that are not attending to their talent and engaging them in the business will lose valuable knowledge and human capital.

Reward Programs Support Retention Efforts

Historically, businesses failed to express appreciation to employees for the quality of their work and reward their performance. Instead, employees have been publicly recognized at anniversary points during their employment, receiving gifts in increasing value.

While this philosophy may have worked in the past, in today's marketplace many employees will not stay with a company long enough to see their first, let alone their fifth, anniversaries. Businesses need to regularly recognize employees who reach goals and succeed at higher levels of performance.

Recognizing employee contributions through appropriate rewards is an excellent way to keep employees engaged with their work and satisfied with the company, and helps prevent valuable staff from going elsewhere. A study by The Gallup Organization revealed that while 90 percent of American companies report having recognition programs, more than 60 percent of employees do not feel recognized. Customized Recognition. There is not one simple solution for recognizing employee talent and performance. Employers need to personalize rewards to employees.

Employee rewards and acknowledgements do not have to be expensive. Rather, as the saying goes, "it's the thought that counts." Managers earn bonus points with employees when the recognition is customized to the employees' interests or situations. This shows that managers are listening and understanding what is meaningful to employees. Public acknowledgements of achievements, not just length of service, help

employees feel validated by their peers. Recognition is less about rewarding employees with “things” but more about managers building relationships with their team members.

Businesses should develop a culture of appreciation, recognition and trust that reinforces their mission and core values. This approach creates a positive work environment and communicates appreciation for employees’ contributions to their success. Research indicates that employees who feel genuinely appreciated, respected and valued, tend to become actively engaged with the company and produce higher quality work.

Personal Rewards

Employees today are looking for balance between work and their personal interests and family activities. They are not interested in frequently working long hours to meet deadlines. They do not want high-stress jobs. They want to enjoy their lives, and often see work as a necessary financial means to support their other interests.

Companies need to listen to employees’ interests and develop health and wellness incentives and programs that reward workers for healthy lifestyles and activities. Health screenings, gym memberships, and on-site fitness classes require minimal investment from the company compared to the value of healthy attitudes of employees who are more satisfied with their jobs, friendlier, and more accommodating to customers’ requests. Plus, the cost of these wellness programs can be more than offset by the resulting savings in healthcare expenses.

Mentoring Efforts with Older and Younger Employees

Along with skills forecasting, HR should identify strategies to fill the gap of employees from the Baby Boomer generation who are nearing retirement. Many of these highly trained workers are leaders within the company and hold key management positions.

In the next four years, the 500 largest U.S. companies expect to lose 50 percent of their senior management due to retirement; approximately 40 percent of these companies do not have a leadership-succession plan.

The Department of Education reports that 60 percent of the skills needed in the future are possessed by only 20 percent of the current workforce, often those nearing retirement. Many of the younger employees do not have the experience, knowledge, or wisdom to step into jobs with senior-level responsibilities. Companies must recognize this need and provide opportunities to develop younger employees with appropriate training and education programs that fill the gaps in their knowledge and experience.

Companies should also consider developing mentoring programs, pairing experienced workers and employees edging toward retirement with younger workers, to train and pass along values and wisdom. These generations of employees have opportunities to learn from each other, and the company receives the benefit of having the older workers share valuable background on the company’s history, and advice on how to handle difficult situations.

According to Wharton University's business program, these networking experiences can also serve to help young up-and-comers to gain valuable knowledge through their interactions with experienced professionals, and may dissuade them from jumping ship and taking jobs elsewhere.

Retirees are a Valuable Retention Strategy

As members of the Baby Boomer generation consider retirement, many companies are employing a variety of efforts to encourage these valuable workers to stay and continue to lend their leadership support and wisdom to the business. Many of these prospective retirees are not ready to trade in their briefcases for the easy chair, but prefer to remain engaged with the company. In return for their ongoing contributions, older workers would like more flexibility in their schedules, such as shorter workdays or modified workweeks, and continuation of their health insurance benefits.

For employers, a common-sense strategy for addressing labor shortage concerns is to retain talented, well-educated, conscientious employees who have a strong work ethic and interest in maintaining their productivity and performance. The trade-off is that these older workers could continue to work into their 70s and 80s, which could increase benefits-related expenses for companies, and increase the need for preventive health and wellness programs.

Rising to the Challenge

The shrinking workforce and talent management concerns are "front-burner" issues for many companies across the United States. These issues are prompting Human Resource leaders and management teams to place a stronger emphasis on strategic planning for workforce management, recruiting employees that fit the culture and mission of their organizations vs. those with stellar qualifications. Companies are also recognizing the importance of investing time and resources in retaining their employees. It is wiser to build and maintain a quality workforce than to lose good employees to competitors and have to spend substantial time and expense to replace them.

While many companies understand workforce issues and have invested in developing an HR strategic recruitment and retention plan, the vast majority of organizations are just now waking up to the realization that there is a war for talent, and that the myth about the shrinking workforce has become reality.

Employees vs. Managers: What They Want From Their Jobs
Rankings gathered through surveys conducted by GHR Training Solutions

Factors	Employees	Leaders and Managers
Full Appreciation for Work Done	1	8
Good Wages	5	1
Good Working Conditions	9	4
Interesting Work	6	5
Job Security	4	2
Promotion/Growth Opportunities	7	3
Personal Loyalty to Workers	8	6
Feeling “In” on Things	2	10
Sympathetic Help with Personal Problems	3	9
Tactful Disciplining	10	7

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